



JUNE 6, 2006

**RE: 2006-07 Workers' Comp Relief Revisions**

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Dear Fellow California Thoroughbred Owner,

Since Governor Schwarzenegger signed AB 701 into law in May of 2004, TOC and CTT have jointly managed a workers' compensation relief program that has:

1. Reduced backstretch premium rates by nearly 75%;
2. Reduced or eliminated Jock Mount Comp Fees;
3. Directly extended comp coverage to owners under a newly issued AIG "alternative employer" endorsement; and,
4. Paid over \$7.6 million in starters fees.

Today, California racing's workers' compensation program is considered one of the best, if not the best, in the nation. In hearings before Congress earlier this year, the program was recognized and praised for its comprehensiveness and efficiency, leading several congressmen to call for legislation mandating similar programs in other racing states.

As an owners' organization, TOC remains committed to ensuring that Thoroughbred owners receive benefits afforded our industry under this important program. Our best means of doing so continues to be through educating individual owners as to the program's details, and encouraging them to determine for themselves if they are in fact receiving those benefits. Accordingly, there are three program components in particular of which the TOC Board feels strongly each owner must be aware. They are:

- Day Rates;
- Jock's Mount Comp Fees; and,
- AIG's extended Coverage Endorsement.

**DAY RATES**

With regard to Day Rates – for the policy period beginning July 1, 2006 and running through June 30, 2007 – licensed trainers who participate in the program will again receive a sizable subsidy.

For trainers insured by the industry's AIG program – nearly 70% of licensed California Thoroughbred trainers, representing roughly 85% to 90% of the industry's comp insurance premium dollars – ***the subsidy will further reduce total premium costs by approximately 20%*** over last year's costs. For trainers insured by another company, the percentage reduction may be less, as comparable rates are significantly higher than those offered through the AIG program.

Additionally, for the coming policy year, TOC and CTT worked to revise the structure of the industry-run AIG Workers' Compensation program so as to establish a per stall rate calculation process, thus eliminating time consuming and expensive payroll audits for trainers. Accordingly, trainers' rates will fall within the following ranges, depending on the region in which they train and their specific experience modification rate:

- ❖ Northern California – \$1.40 to \$2.00/day/stall
- ❖ Southern California – \$2.00 to \$3.25/day/stall

The extent to which California Thoroughbred trainers will pass along to owners savings afforded by the rate reduction and/or streamlined premium verification process, if any, is unknown. Nonetheless, owners are specifically encouraged to discuss these matters with their individual trainers.

### **JOCKEY MOUNT COMP FEES**

In addition to the abovementioned changes, Jock Mount Comp Fees will once again be subsidized. Beginning July 1, 2006, however, this subsidy will increase from \$50 to \$60 per mount. Owners will "receive" the subsidy in one of two ways.

1. ***If your trainer is an AIG insured***, the subsidy will be paid directly to the insurer and will cover the entire cost of this year's AIG premium, *which means trainers SHOULD NOT bill an owner a per mount fee for comp insurance.*
2. For owners whose ***trainers are NOT insured by AIG***, but who are registered participants in the CTBL program, *the same \$60 supplement will be paid directly into the purse account for each Thoroughbred started in a California Thoroughbred race*, with trainers likely continuing to bill owners for any premium due above that subsidy.

### **WORKERS' COMPENSATION COVERAGE EXTENDED**

We are also pleased to report that beginning May 1, 2006, TOC obtained from AIG an agreement to extend workers' compensation coverage directly to owners whose Thoroughbreds are in the care of an AIG insured trainer.

With guidance from the California Department of Insurance, TOC and AIG worked to amend and endorse trainers' policies so as to recognize owners as "alternate employers." Accordingly, workers' compensation coverage provided to trainers insured by AIG has been extended to cover each licensed person or entity who owns horses trained by a named AIG insured(s), to the extent such person or entity is exposed to liability as an employer of the person claiming benefits. This endorsement now brings all AIG insured trainers and owners into compliance with existing California case law and CHRB Rule 1501.

### **STARTERS' FEES**

Finally, TOC wishes to remind all owners that another avenue of owner relief – intended to help offset additional costs of horse ownership – was Starter Fees. To date, ***over \$7.6 million has been paid to California Thoroughbred owners*** under this program. Those fees will continue to be paid to all horses competing in overnight races, which finish sixth and beyond, and to fifth place finishers when their share of purse money is less than the corresponding Starter Fee. Accordingly, starter fees are paid as follows:

- \$400 per start in the South;
- \$300 per start in the North; and,
- \$150 per start at the Fairs on days when not overlapped with a "major" in their zone.

Such fees are paid directly to owners through the Paymaster's Account, so please continue to check to make certain your account has been properly credited. It is important to understand that the fees vary by circuit because not all circuits generate equal contributions to the overall fund created by this legislation.

The TOC Board encourages all Thoroughbred owners to take advantage of the benefits this program is intended to provide each of you. Remember, we are here to assist you, so if you have any questions as to how these programs affect you, please do not hesitate to call Drew Couto or Guy Lamothe at TOC.

**July 1, 2006 – June 30, 2007**  
**IMPORTANT FACTS TO REMEMBER**  
**ABOUT WORKERS' COMPENSATION RELIEF FOR**  
**THE CALIFORNIA THOROUGHBRED RACING INDUSTRY**

- In May of 2004, AB 701 was enacted as CA Business & Professions Code, Section 19605.75
- The resulting 0.5% increase in takeout on exotic wagers generates approximately \$10 million annually
- These funds are utilized for programs that make California Thoroughbred racing more competitive including, but not limited to, workers' comp insurance premium subsidies and safety initiatives
- The California Thoroughbred Business League ("CTBL") was created to administer funds generated under this law, and is Chaired by TOC
- These funds pay:
  1. Starters Fees for horses competing in overnight races, which finish sixth and beyond, and to fifth place finishers when their share of purse money is less than the corresponding Starter Fee, which are as follows:
    - ❖ \$400 in the South
    - ❖ \$300 in the North
    - ❖ \$150 at the Fairs on days when overlapped with a "major" in their zone
  2. Workers' Compensation Insurance Premiums Subsidies
    - ❖ Stable Rates – Estimated 20% reduction over prior year's premium
    - ❖ Jock's Mount Comp Fees Subsidy
      - Beginning July 1<sup>st</sup>, there will be no cost to owners whose trainer is insured by AIG
      - Other insurer rates are higher, but owners whose trainers are participants in the program will receive the same \$60/mount subsidy, paid directly to their purse account
- AIG workers' compensation coverage extended:
  1. Beginning May 1, 2006, AIG extended workers' compensation coverage
    - ❖ Extends to owners whose Thoroughbreds are in the care of an AIG insured trainer
    - ❖ Recognizes owners as "alternate employers"
    - ❖ Coverage includes each licensed person or entity who owns horses trained by a named AIG insured(s), to the extent such person or entity is exposed to liability as an employer of the person claiming benefits
    - ❖ The endorsement brings all AIG insured trainers and owners into compliance with
      - Existing California case law; and,
      - CHRB Rule 1501.

